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SUBJECT: NEW CENTRAL BANK PRESIDENT NOMINATED

Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) and (d).

¶1. (U) President Chavez designated former Finance Minister Nelson Merentes as President of Venezuela's Central Bank (BCV) on April 28, filling the vacancy left by the December 2008 death of the former president. Also on April 28, the National Assembly approved Merentes' nomination, and the Official Gazette published the appointment, making it official. Merentes is a mathematician by training. He was an early political supporter of President Chavez. He claims to have been one of the founders of the Fifth Republic Movement, Chavez's former political party, serving on its strategic committee and helping to develop its strategy for the 1999 National Constituent Assembly elections. Merentes served twice as Minister of Finance, from 2001 to 2002 and 2004 to 2007.

¶2. (SBU) Merentes' appointment has already caused consternation among opposition-oriented economists. They claim Merentes does not have 10 years of financial and economic experience and is a political activist, both of which would make him ineligible by law. They also question his judgment and/or integrity given various actions undertaken by the Ministry of Finance during his tenure, such as the acquisition of Argentine bonds and "structured notes" by the National Development Fund.

¶3. (C) In an April 2008 meeting with Econoff, Merentes, who was seeking a visa, showed a mixture of realism and pragmatism. He noted Venezuela's current economic model was not sustainable unless the country could diversify its revenue sources, suggesting software, information technology, and tourism as possible growth sectors. He stressed the importance of controlling the parallel foreign exchange rate, though he noted issuance of dollar-denominated debt payable in bolivars was not a sustainable strategy for controlling it. He said he had received the U.S. Ambassador during each of his tenures as Minister of Finance, doing it "discreetly" the second time as he did not have permission. He noted that not everyone in the Venezuelan government felt the U.S. was the "enemy."

¶4. (C) Comment: For anyone under the illusion that the BCV was an autonomous institution, Merentes' appointment might come as a blow. However, no one should be under that illusion. Merentes will almost surely loyally carry out the policies necessary to support President Chavez's plan to finance the 2009 budget deficit, as well as any other directives from Miraflores. End comment.

15. (U) Biographic information: Nelson Jose Merentes Diaz was born May 6, 1954. He received a bachelors degree in mathematics from the Universidad Central de Venezuela (UCV) in 1978 and a PhD in mathematics from the Science University of Budapest in 1991. He served in various administrative and faculty positions at UCV beginning in 1978 through at least 1999, when he was elected to the National Constituent Assembly. In between his tenures at the Ministry of Finance, he served as Minister of Science and Technology. End biographic information.
CAULFIELD